

FEB 1952 51-444

CLASSIFICATION

SECRET

INFORMATION REPORT
REFERENCE COPY

REPORT NO.

CD NO.

25X1
25X1

COUNTRY China

DO NOT CIRCULATE

DATE DISTR. 1 February 1953

SUBJECT Opinion on the Reasons for Downward Revision of
Chinese Communist Currency in Foreign Exchange

NO. OF PAGES 1

DATE OF INFO.

NO. OF ENCLS.
(LISTED BELOW)

PLACE
ACQUIRED

SUPPLEMENT TO
REPORT NO.

25X1

THIS IS UNEVALUATED INFORMATION

OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

1. The 5 November 1952 downward revision of the jen min p'iao in relation to the British and Australian pound, the Swiss franc, the Hong Kong dollar, and various currencies of Southeast Asia is a natural process and a part of the Chinese Communist program to stimulate export. As a result of increased productivity, the agriculture and the extractive industries, such as soya beans, peanuts, cotton, salt, and coal, have reached a temporary saturation point in the volume of barter trade that can be done with the USSR, Poland, and Czechoslovakia. Realizing the necessity for expanding cash business with non-Communist countries in both Asia and Europe, despite the reduction in world prices for these products during 1952, the Chinese currency and trade experts figured that a reduction of 10 percent would place China in a favorable position to compete in world markets.
2. The new exchange rate is also an attempt to counter the recent setback in remittances from overseas Chinese caused by the extortion practices of the five-anti's campaign. The Chinese Communist Government may easily get 15 to 20 million Hong Kong dollars at the adjusted rates during the next six months.
3.
4. The new revision of exchange rates has started speculations in the Hong Kong and Taiwan Chinese press that Red China is on the same road of runoff inflation that contributed so much to the defeat of the Nationalists on the mainland and that the Korean war is bringing the country to quick financial ruin.

CLASSIFICATION

SECRET

| | | | | | | | | | | | | | | | |
|-------|----|---|------|---|------|--|--------------|---|-----|----|---|--|--|--|--|
| STATE | Ev | X | NAVY | X | NSRB | | DISTRIBUTION | | | | | | | | |
| ARMY | | X | AIR | X | FBI | | TREAS | X | ORR | Ev | X | | | | |